

Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 00264 220826Z

42

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 EA-11 FRB-02 INR-10 IO-14 NEA-11

NSAE-00 OPIC-12 LAB-06 SIL-01 FEA-02 INT-08 OIC-04

DRC-01 NSCE-00 SCI-06 H-03 XMB-07 /212 W

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R 220625Z JAN 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8571

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L KUWAIT 0264

BEIRUT PASS BAGHDAD

DEPT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, ENRG, KU, XX

SUBJECT: GOK OFFICIAL'S VIEWS ON CURRENT MONETARY ISSUES

REF: KUWAIT 0215

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PAGE 02 KUWAIT 00264 220826Z

SUMMARY: GOVERNOR KUWAIT CENTRAL BANK EXPRESSED READINESS COOPERATE WITH INDUSTRIAL COUNTRIES IN C-20 OR OTHER INTERNATIONAL FORUM TO FIND SOLUTION TO MONETARY CRISIS RESULTING FROM RECENT OPEC PRICE RISES. OFFICIAL INDICATED KUWAIT RECOGNIZED MORAL OBLIGATION MAINTAIN OIL PRODUCTION BUT ALSO CITED OBLIGATION CURRENT GENERATION TO FUTURE GENERATIONS. THEREFORE VALUE ASSETS MUST BE MAINTAINED. UP TO INTERNATIONAL FINANCIAL COMMUNITY LED BY INDUSTRIALIZED STATES COME UP WITH PROPOSALS THAT WOULD ACCOMPLISH THIS END. END SUMMARY.

1. DURING VISIT CONGRESSMAN RICHARD HANNA (D-CALIFORNIA) WHO MEMBER HOUSE BANKING AND CURRENCY COMMITTEE WITH GOVERNOR KUWAIT CENTRAL BANK HAMZA ABBAS HUSSAIN, LATTER EXPRESSED PERSONAL VIEWS RE CURRENT MONETARY ISSUES ARISING OUT OF DRAMATIC INCREASE OPEC POSTED PRICES AND RESULTING MASSIVE SHIFT OF MONETARY SURPLUSES TO OIL EXPORTING STATES. THESE VIEWS PROBABLY WIDELY SHARED WITHIN GOK AND AMONG KUWAITIS IN GENERAL.

2. HUSSAIN ADMITTED AT OUTSET THAT KUWAIT HAD MORAL OBLIGATION TO WORKD AT LARGE TO PRODUCE CEERTAIN LEVEL OF OIL, PRESUMABLY PRE-OCTOBER NOMINAL LEVEL OF 3 MILLION BPD. MOREOVER RECENT RISE IN PRICES COULD INDEED BE DESTABILIZING. AT SAME TIME HE JUSTIFIED PRICE INCREASES AD BEING OVERDUEHQD INEVITABLE. HE REITERATED POINTS MADE BY OTHERS THAT OIL EXPORTING COUNTRIES HAD NO OBLIGATION FINANCE DEVELOPMENT ELSEWHERE THROUGH ARTIFICIALLY LOW PRICES AND THAT ALTERNATIVE SOURCES OF ENERGY MUST BE FOUND. NEVERTHELESS, REAL PROBLEM WOULD EXIST FOR NEXT FIVE YEARS OR SO UNTIL ALTERNATIVE ENERGY SOURCES DEVELOPED.

3. AT SAME TIME KUWAIT, AT LEAST , HAD ONLY ONE, NON-RENEWABLE RESOURCE AND IF IT CANNOT BE ALLOWED REDUCE PRODUCTION THEN SOME WAY MUST BE FOUND TO ASSURE VALUE OF ASSETS OBTAINED FOR OIL WHICH IS SOLD, BECUASE PRESENT GENERATION KUWAITIS HAD MORAL OBLIGATION TO FUTURE GENERATIONS TO BEQUEATH VIABLE ECONOMY AND ENOUGH WEALTH TO SUSTAIN REASONABLE STANDARD OF LIVING.

4. CENTRAL BANK GOVERNOR EXPRESSED READINESS COOPERATE WITH OTHERS IN FINDING SOLUTION, PRESUMABLY THROUGH C-20 AND IMF. NEVERTHELESS, GOK WILL BE LOOKING TO DEVELOPED COUNTRIES, PARTI-CONFIDENTIAL

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PAGE 03 KUWAIT 00264 220826Z

CULARLY US TO COME FORWARD WITH PROPOSALS. FYI HUSSAIN SIAD GOK STILL STUDYING REPORTS OF ROME MEETINGS AND WILL LATER CONSULT WITH C-20 REP AND OTHERS. THERE IS NOW NO RPT NO OFFICIAL GOK POSITION. END FYI. HUSSAIN INDICATED HE, AT LEAST, HAD OPEN MIND ON QUESTION AND HE WOULD BE MORE WILLING THAN PREVIOUSLY TO CONSIDER USING SDR'S TO HELP OVERCOME PROBLEM.

5. CONGRESSMAN HANNA OBSERVED THAT TO GREAT EXTENT BALL IN OUR

COURT NOW TO COME UP WITH PROPOSALS ACCEPTABLE TO OIL EXPORTING COUNTRIES ALTHOUGH HE SAID THEY ALSO HAD OBLIGATION EXPLAIN THEIR OWN VIEWS TO GOVERNMENTS AND TO PRESS, POLITICIANS AND ACADEMICIANS IN INDUSTRIALIZED COUNTRIES SINCE THERE VERY LITTLE UNDERSTANDING AMONG LAST THREE GROUPS OF SPECIAL CONCERNS OF THE OIL EXPORTING COUNTRIES.

6. COMMENT: BELIEVE CENTRAL BANK GOVERNOR'S VIEWS TOGETHER WITH THOSE OF MINISTER FINANCE AND OIL ATIGI (REFTEL) SHOW SENIOR GOK OFFICIALS NOT OPPOSED ENTER MULTILATERAL DISCUSSIONS ON MONETARY REFORM, ALTHOUGH KUWAITIS PREFER WORK THROUGH ESTABLISHED C-20/IMF CHANNELS. SENIOR OFFICIALS EXHIBIT SOME CONCERN OVER PROBLEMS ELSEWHERE AND SOME FLEXIBILITY TOO, BUT THEY ALSO FEEL STRONGLY THAT THEY HAVE GOOD CASE MAINTAIN HIGH PRICES. OIL AND MONEY PER SE NOT AS IMPORTANT TO THEM AS MAINTAINING VALUE OF ASSETS BE THEY OIL, MONEY OR SOMETHING ELSE. THUS, THEIR ATTITUDE IS THAT IF INDUSTRIAL STATES INSIST THAT OIL EXPORTING COUNTRIES MAINTAIN OR INCREASE OIL PRODUCTION, THEN LARGE CONSUMERS WHO ARE ALSO LEADING INDUSTRIAL AND FINANCIAL COUNTRIES HAVE OBLIGATION ASSURE VALUE OF ASSETS THEY EXCHANGE FOR THAT OIL.
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